

ORIGINAL

United States Courts  
Southern District of Texas  
FILED

MAY 14 2003

Michael N. Milby, Clerk

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

In re ENRON CORPORATION SECURITIES  
LITIGATION

This Document Relates To:

MARK NEWBY, et al., Individually and On  
Behalf of All Others Similarly Situated,

Plaintiffs,

vs.

ENRON CORP., et al.,

Defendants

THE REGENTS OF THE UNIVERSITY OF  
CALIFORNIA, et al., Individually and On  
Behalf of All Others Similarly Situated,

Plaintiffs,

vs.

KENNETH L. LAY, JEFFREY K. SKILLING,  
ANDREW S. FASTOW, RICHARD A.  
CAUSEY, MARK A. FREVERT, STANLEY C.  
HORTON, KENNETH D. RICE, RICHARD B.  
BUY, LOU L. PAI, JOSEPH M. HIRKO, KEN L.  
HARRISON, STEVEN J. KEAN, REBECCA P.  
MARK-JUSBASCHE, JEFFREY MCMAHON,  
CINDY K. OLSON, JOSEPH W. SUTTON,

§ Civil Action No. H-01-3624

§ (Consolidated)

§ CLASS ACTION

§ LEAD PLAINTIFF'S APPENDIX OF  
§ EXHIBITS IN SUPPORT OF THE FIRST  
§ AMENDED CONSOLIDATED COMPLAINT  
§ FOR VIOLATION OF THE SECURITIES  
§ LAWS

[Caption continued on following page.]

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MARK E. KOENIG, KEVIN P. HANNON, §  
 LAWRENCE GREG WHALLEY, ROBERT A. §  
 BELFER, NORMAN P. BLAKE, JR., RONNIE §  
 C. CHAN, JOHN H. DUNCAN, WENDY L. §  
 GRAMM, ROBERT K. JAEDICKE, CHARLES §  
 A. LEMAISTRE, JOE H. FOY, JOHN §  
 MENDELSON, PAULO V. FERRAZ §  
 PEREIRA, JEROME J. MEYER, JOHN A. §  
 URQUHART, JOHN WAKEHAM, CHARLS E. §  
 WALKER, HERBERT S. WINOKUR, JR., §  
 FRANK SAVAGE, ALLIANCE CAPITAL §  
 MANAGEMENT L.P., JOSEPH F. §  
 BERARDINO, THOMAS H. BAUER, DAVID B. §  
 DUNCAN, DEBRA A. CASH, DAVID §  
 STEPHEN GODDARD, JR., GARY B. §  
 GOOLSBY, MICHAEL M. LOWTHER, §  
 MICHAEL C. ODOM, JOHN E. STEWART, §  
 MICHAEL L. BENNETT, BENJAMIN S. §  
 NEUHAUSEN, RICHARD R. PETERSEN, §  
 WILLIAM E. SWANSON, MICHAEL D. §  
 JONES, ARTHUR ANDERSEN LLP, §  
 ANDERSEN WORLDWIDE, S.C., ANDERSEN §  
 CO. (INDIA), ARTHUR ANDERSEN-PUERTO §  
 RICO, ANDERSEN LLP (CAYMAN ISLANDS), §  
 ARTHUR ANDERSEN-BRAZIL, ARTHUR §  
 ANDERSEN (UNITED KINGDOM), VINSON & §  
 ELKINS, L.L.P., J.P. MORGAN CHASE & CO., §  
 JP MORGAN CHASE BANK, JP MORGAN §  
 SECURITIES INC., CITIGROUP, INC., §  
 CITIBANK, N.A., SALOMON SMITH §  
 BARNEY, INC., SALOMON BROTHERS §  
 INTERNATIONAL LIMITED, CREDIT SUISSE §  
 FIRST BOSTON (USA), INC., PERSHING LLC, §  
 CREDIT SUISSE FIRST BOSTON CORP., §  
 CANADIAN IMPERIAL BANK OF §  
 COMMERCE, CIBC WORLD MARKETS §  
 CORP., CIBC WORLD MARKETS PLC, CIBC §  
 OPPENHEIMER CORP., BANK OF AMERICA §  
 CORP., BANC OF AMERICA SECURITIES §  
 LLC, MERRILL LYNCH & CO., INC., §

[Caption continued on following page.]

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MERRILL LYNCH, PIERCE, FENNER & §  
SMITH, INC., BARCLAYS PLC, BARCLAYS §  
BANK PLC, BARCLAYS CAPITAL, INC., §  
DEUTSCHE BANK AG, DEUTSCHE BANK §  
SECURITIES INC., DB ALEX. BROWN LLC, §  
DEUTSCHE BANK TRUST COMPANY §  
AMERICAS, LEHMAN BROTHERS §  
HOLDING, INC. and LEHMAN BROTHERS §  
INC., §

Defendants. §

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## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
FREVERT	10/27/1998	90,928	S. F. City and County Employees' Ret. Sys.	10/29/1998
RICE	10/30/1998	3,480	Morgan, Gail A.	10/30/1998
			The Amalgamated Bank As Trustee	10/30/1998
SKILLING	11/04/1998	159,022		
HARRISON				
FASTOW				
SUTTON			The Amalgamated Bank As Trustee	11/06/1998
SUTTON	11/09/1998	60,000	St. Ama, Caryl	11/11/1998
FASTOW	11/10/1998	22,740	S. F. City and County Employees' Ret. Sys.	11/12/1998
RICE	11/23/1998	166,586	The Amalgamated Bank As Trustee	11/20/1998
LAY				
FREVERT	12/29/1998	160,000	S. F. City and County Employees' Ret. Sys.	12/30/1998
LAY				
FREVERT	01/04/1999	25,464	S. F. City and County Employees' Ret. Sys.	01/06/1999
RICE	01/07/1999	55,970	Bassett, Jeffrey	01/06/1999
HORTON				
FREVERT	01/08/1999	212,428		
FASTOW				
SUTTON				
PAI				
SKILLING	02/04/1999	34,230	S. F. City and County Employees' Ret. Sys.	02/04/1999
CAUSEY	03/04/1999	73,626	St. Ama, Charles	03/03/1999
			Bassett, Jeffrey	03/03/1999
FASTOW	03/18/1999	92,044	Fred Sherry Farms Inc.	03/17/1999
HORTON				
SKILLING	04/16/1999	250,000	The Amalgamated Bank As Trustee	04/16/1999
			S. F. City and County Employees' Ret. Sys.	04/16/1999
PAI	04/19/1999	640	Megill, Kathleen	04/19/1999
SUTTON	04/28/1999	99,960	S. F. City and County Employees' Ret. Sys.	04/28/1999

## Defendants' Insider Trading

<b>Defendants' Sales:</b>				<b>Plaintiffs' Purchases:</b>	
<u>Name</u>	<u>Date</u>	<u>Shares</u>		<u>Name</u>	<u>Date</u>
LAY	04/29/1999	150,948		The Amalgamated Bank As Trustee	04/30/1999
HORTON					
FREVERT	04/30/1999	595,706			
FASTOW					
HARRISON					
SKILLING	05/05/1999	120,000		Watkins, Victoria	05/06/1999
SKILLING	05/06/1999	50,000			
SKILLING	05/07/1999	50,000			
LAY	07/21/1999	250,770		Cassidy, John & Charlotte	07/21/1999
HORTON					
LAY	09/03/1999	148,991		The Amalgamated Bank As Trustee	09/03/1999
RICE	11/09/1999	27,140		St. Ama, Caryl	11/10/1999
HORTON	11/10/1999	50,000		S F. City and County Employees' Ret Sys.	11/12/1999
HORTON	12/20/1999	29,402		St. Ama, Caryl	12/20/1999
				Megill, Kathleen	12/20/1999
				St. Ama, Charles	12/20/1999
				Miles, Arlis	12/20/1999
FREVERT	01/20/2000	60,000		McKitty, Tricia	01/20/2000
PAI	01/21/2000	375,000		Astrich, Edward	01/21/2000
FREVERT				Lees, Lisa	01/21/2000
CAUSEY					
HORTON	01/24/2000	70,000		Nitti, Joseph	01/24/2000
				Johnson, Dirk	01/24/2000
KOENIG	01/25/2000	109,284		Laney, Sharon	01/25/2000
				Schuetten, Ben	01/25/2000
SUTTON	02/10/2000	61,900		Seguinot, Peter	02/10/2000

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
SUTTON	02/11/2000	26,100	Ford, Creed	02/11/2000
OLSON	02/16/2000	14,340	Lin, Alen	02/16/2000
RICE	02/17/2000	118,482	Green, Robert	02/17/2000
			Local 144 Nursing Home Pension Fund	02/17/2000
			O'Toole, Fred	02/17/2000
HIRKO	02/18/2000	93,187	Seoane, Paulino	02/18/2000
PAI	02/25/2000	10,000	Potts, James	02/25/2000
PAI HORTON	03/07/2000	140,000	Casey Family	03/07/2000
MCMAHON	03/16/2000	39,630	Local 144 Nursing Home Pension Fund	03/16/2000
SUTTON	03/21/2000	100,000	Franks, Walter R	03/21/2000
PAI	03/22/2000	654,100	Ferguson, Wendy	03/22/2000
PAI KOENIG	03/23/2000	320,080	Young, Joe	03/23/2000
FASTOW	03/27/2000	100,000	Von Sosen, Bernd M.	03/27/2000
HORTON	03/28/2000	25,000	Abbaei, Mike	03/28/2000
			Fleming, Allen	03/28/2000
RICE	04/19/2000	100,000	The Amalgamated Bank As Trustee	04/19/2000
LAY PAI HIRKO	04/20/2000	202,050	The Amalgamated Bank As Trustee	04/20/2000
BUY	05/01/2000	78,256	S. F. City and County Employees' Ret. Sys.	05/01/2000
			The Amalgamated Bank As Trustee	05/01/2000

## Defendants' Insider Trading

<b>Defendants' Sales:</b>				<b>Plaintiffs' Purchases:</b>	
<u>Name</u>	<u>Date</u>	<u>Shares</u>		<u>Name</u>	<u>Date</u>
PAI	05/02/2000	477,814		Bessire, Michael J.	05/02/2000
HARRISON	05/02/2000				
SUTTON	05/02/2000				
CAUSEY					
LAY	05/04/2000	304,300		Mayo, Fitzhugh	05/05/2000
PAI				Local 144 Nursing Home Pension Fund	05/05/2000
LAY	05/08/2000	22,500			
HORTON	05/09/2000	40,000		Vales, Robert J.	05/10/2000
KEAN	05/10/2000	304,560			
PAI					
PAI	05/11/2000	442,170		Casey Family	05/10/2000
HARRISON					
FREVERT					
HIRKO					
HARRISON	05/15/2000	120,000		The Amalgamated Bank As Trustee	05/15/2000
PAI					
PAI	05/16/2000	231,050			
HARRISON					
FASTOW	05/17/2000	316,987		Burstein, Michael	05/18/2000
PAI					
HORTON	08/24/2000	183,865		Le, Kimchi	08/24/2000
KOENIG				S. F. City and County Employees' Ret. Sys.	08/24/2000
OLSON				Wang, Feng	08/24/2000
LAY					
HORTON	08/25/2000	20,000		Chambers, Valerie	08/25/2000
				Chaves, Melvin	08/25/2000
HORTON	08/28/2000	52,900		Miller, Doris	08/28/2000
HARRISON				Kimmerling, Richard	08/28/2000
HARRISON	08/29/2000	252,102		Kircali, Isinsu	08/29/2000
RICE				Speck, Joseph C.	08/29/2000
SKILLING	08/30/2000	15,000		D'Addario, John	08/30/2000
				O'Neill, Peter	08/30/2000



## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
HARRISON SKILLING	09/01/2000	100,000	The Amalgamated Bank As Trustee	09/01/2000
SKILLING	09/05/2000	11,441	Redington, Paul S. F. City and County Employees' Ret. Sys.	09/05/2000 09/05/2000
FREVERT	09/11/2000	60,000	The Amalgamated Bank As Trustee	09/12/2000
FREVERT	09/12/2000	60,000	Chappelear, Jack Sodano, Justin	09/12/2000 09/12/2000
HORTON SUTTON	09/14/2000	70,000	Beecher, Gregory Skaggs, James The Amalgamated Bank As Trustee	09/14/2000 09/14/2000 09/14/2000
SUTTON	09/15/2000	50,000	Rogers, Thomas	09/15/2000
HARRISON	09/18/2000	210,800	Kimmerling, Richard	09/18/2000
SUTTON	09/19/2000	15,000	Moore, William	09/19/2000
SUTTON	09/27/2000	15,000	Best, Gloria Scott Jr, Randolph Scott, David	09/27/2000 09/27/2000 09/27/2000
SUTTON HORTON CAUSEY	09/28/2000	115,755	Placke, George	09/28/2000
FASTOW LAY SKILLING	11/01/2000	100,830	Statler, Todd The Amalgamated Bank As Trustee	11/01/2000 11/01/2000
LAY SKILLING	11/02/2000	24,034	S. F. City and County Employees' Ret. Sys. The Regents of The University of California	11/02/2000 11/02/2000
LAY	11/03/2000	4,034	S. F. City and County Employees' Ret. Sys.	11/03/2000
LAY	11/06/2000	21,745	S. F. City and County Employees' Ret. Sys. The Regents of The University of California	11/06/2000 11/06/2000
LAY SKILLING FASTOW	11/07/2000	77,986	Campbell, William Exner, Louis	11/07/2000 11/07/2000

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY	11/08/2000	4,034	Smith, Karen S.	11/08/2000
			Goloway, William	11/08/2000
LAY	11/09/2000	4,034		
LAY	11/10/2000	1,000	Hoy, Timothy P.	11/09/2000
LAY	11/13/2000	1,000	Woito, Robert S.	11/13/2000
LAY	11/14/2000	4,034	Chappelear, Jack	11/14/2000
LAY	11/15/2000	4,034	St. Ama, Caryl	11/15/2000
SKILLING	11/15/2000	10,000		
LAY	11/16/2000	4,034	Kearney, Michele	11/16/2000
LAY	11/17/2000	4,034	The Regents of The University of California	11/17/2000
LAY	11/20/2000	4,034	The Regents of The University of California	11/20/2000
LAY	11/22/2000	14,034	The Amalgamated Bank As Trustee	11/22/2000
SKILLING			The Regents of The University of California	11/22/2000
LAY	11/24/2000	4,034	Goloway, William	11/23/2000
			The Regents of The University of California	11/24/2000
			S. F. City and County Employees' Ret. Sys.	11/24/2000
LAY	11/27/2000	4,034	The Regents of The University of California	11/27/2000
LAY	11/28/2000	4,034	The Regents of The University of California	11/28/2000
SKILLING	11/29/2000	14,034	Colby, Lora	11/29/2000
LAY			Scott Jr, Randolph	11/29/2000
			Smith, Karen S.	11/29/2000
			The Regents of The University of California	11/29/2000
LAY	11/30/2000	4,034	Colby, Lora	11/30/2000
			Loomis, Shane	11/30/2000
			The Regents of The University of California	11/30/2000

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY	12/01/2000	4,034	Khun, Ramzi	12/01/2000
			S. F. City and County Employees' Ret. Sys.	12/01/2000
			The Amalgamated Bank As Trustee	12/01/2000
			The Regents of The University of California	12/01/2000
LAY	12/04/2000	3,534	S. F. City and County Employees' Ret. Sys.	12/04/2000
LAY	12/05/2000	4,534	Ferguson, Scott	12/05/2000
			The Regents of The University of California	12/05/2000
			Kircali, Isinsu	12/05/2000
LAY SKILLING	12/06/2000	14,034	The Regents of The University of California	12/06/2000
LAY	12/07/2000	4,034	Cartwright, George	12/07/2000
			The Regents of The University of California	12/07/2000
LAY OLSON	12/08/2000	11,732	The Regents of The University of California	12/08/2000
LAY	12/11/2000	4,034	The Regents of The University of California	12/11/2000
LAY	12/12/2000	4,034	Anderson, Terry	12/12/2000
			Chappelear, Jack	12/12/2000
			Loomis, Shane	12/12/2000
RICE LAY SKILLING	12/13/2000	114,034	S. F. City and County Employees' Ret. Sys.	12/13/2000
			Parnes, Jeffrey	12/13/2000
LAY	12/14/2000	4,034	Ashton, Craig E. & Patricia A	12/14/2000
LAY	12/15/2000	4,034	S. F. City and County Employees' Ret. Sys.	12/15/2000
			The Regents of The University of California	12/15/2000
LAY FREVERT	12/18/2000	104,034	The Regents of The University of California	12/18/2000

## Defendants' Insider Trading

Defendants' Sales:			Plaintiffs' Purchases:	
<u>Name</u>	<u>Date</u>	<u>Shares</u>	<u>Name</u>	<u>Date</u>
LAY SKILLING FREVERT	12/20/2000	57,534	Miles, Arlis S. F. City and County Employees' Ret. Sys. The Amalgamated Bank As Trustee	12/20/2000 12/20/2000 12/20/2000
LAY	12/21/2000	4,034	The Amalgamated Bank As Trustee Carlson, R. James	12/21/2000 12/21/2000
OLSON LAY	12/22/2000	28,475	The Amalgamated Bank As Trustee	12/22/2000
LAY	12/26/2000	4,034	Berman, Joel E. Burnett, Mary A.	12/26/2000 12/26/2000
HORTON SKILLING LAY LAY	12/27/2000	39,034	Scott Jr, Randolph Chaves, Melvin Goloway, William	12/27/2000 12/27/2000 12/27/2000
LAY	12/28/2000	4,034		
LAY	12/29/2000	4,034	Morgan, Gail A.	12/31/2000
BUY LAY	01/02/2001	152,285	S. F. City and County Employees' Ret. Sys.	01/02/2001
RICE LAY SKILLING	01/03/2001	17,534	Smith, Karen S. S F City and County Employees' Ret. Sys.	01/03/2001 01/03/2001
LAY RICE	01/04/2001	5,034	Goloway, William Stevens, Russell	01/04/2001 01/04/2001
RICE LAY	01/05/2001	5,034	Shaknovich, Boris Finnegan, Deborah	01/05/2001 01/05/2001
LAY RICE	01/08/2001	5,034	Kleinpeter, Tom	01/08/2001
LAY RICE	01/09/2001	5,034	Loomis, Shane Chappelear, Jack The Regents of The University of California	01/09/2001 01/09/2001 01/09/2001
RICE LAY LAY RICE	01/11/2001	42,023	Local 144 Nursing Home Pension Fund Cohen, Harris	01/11/2001 01/11/2001
	01/12/2001	5,034	Sorg, Thomas	01/11/2001

## Defendants' Insider Trading

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u>Name</u>	<u>Date</u>	<u>Shares</u>	<u>Name</u>	<u>Date</u>
LAY RICE	01/16/2001	4,534	McCall, John Smith, James Chaves, Melvin	01/16/2001 01/16/2001 01/16/2001
LAY SKILLING	01/17/2001	15,034	Local 144 Nursing Home Pension Fund	01/17/2001
RICE LAY RICE	01/18/2001	5,034		
LAY RICE	01/19/2001	5,034	Forbes, Christina	01/19/2001
RICE LAY	01/22/2001	5,034	Johnson, Dirk Gould, Kenneth Chadwick	01/22/2001 01/22/2001
LAY SKILLING	01/24/2001	16,534	Fitzbag, Timothy Cassell, Thomas Lacroix, John	01/24/2001 01/24/2001 01/24/2001
RICE LAY	01/25/2001	6,534	White, Mary Chaves, Melvin	01/25/2001 01/25/2001
LAY BUY RICE	01/26/2001	14,045	The Regents of The University of California Hayes, Harvey	01/26/2001 01/26/2001
RICE LAY	01/30/2001	6,534	Local 144 Nursing Home Pension Fund	01/30/2001
KEAN RICE LAY SKILLING	01/31/2001	93,594	Local 144 Nursing Home Pension Fund Scott Jr, Randolph Chaves, Melvin	01/31/2001 01/31/2001 01/31/2001
LAY RICE	02/01/2001	5,000	Bainter, Gregory W.	02/01/2001
RICE LAY	02/02/2001	5,500	The Amalgamated Bank As Trustee	02/02/2001
RICE LAY	02/05/2001	5,500	Szczembara, Mary Dewey, Thomas E.	02/06/2001 02/06/2001

## Defendants' Insider Trading

Defendants' Sales:			Plaintiffs' Purchases:	
<u>Name</u>	<u>Date</u>	<u>Shares</u>	<u>Name</u>	<u>Date</u>
LAY	02/06/2001	500		
LAY	02/06/2001	2,500		
RICE	02/06/2001	500		
RICE	02/06/2001	2,000		
RICE	02/07/2001	15,500		
LAY	02/07/2001	40		
SKILLING				
LAY	02/09/2001	5,500	Flint, Robert V.	02/09/2001
RICE				
LAY	02/12/2001	5,500	Loomis, Shane	02/13/2001
RICE			Chappelear, Jack	02/13/2001
RICE	02/13/2001	5,500		
LAY				
RICE	02/14/2001	153,800	St. Ama, Caryl	02/14/2001
SKILLING		10,000		
LAY				
LAY	02/15/2001	13,000	McClory, William	02/15/2001
RICE			Gordon Kennedy, Janet	02/15/2001
			Redington, Paul	02/15/2001
RICE	02/20/2001	6,500	Lund, Soren	02/20/2001
LAY				
RICE	02/21/2001	16,500	Smith, Karen S.	02/21/2001
LAY				
SKILLING				
LAY	02/22/2001	8,000	S. F. City and County Employees' Ret Sys.	02/23/2001
RICE			Cort, Leon (Lee Cort Inc. Pension Plan)	02/23/2001
LAY	02/26/2001	4,000	S. F. City and County Employees' Ret Sys.	02/26/2001
RICE				
LAY	02/27/2001	4,000	Khuri, Ramzi	02/27/2001
RICE			White, Mary	02/27/2001
LAY	02/28/2001	13,500	Mui, Gene	02/28/2001
RICE			Redington, Paul	02/28/2001
SKILLING				

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY RICE	03/01/2001	3,500	The Regents of The University of California Mcdonald, Daniel	03/01/2001 03/01/2001
LAY RICE	03/02/2001	4,000	Commens, Gerald J. & Janice L.	03/02/2001
BUY RICE LAY	03/05/2001	18,254	Archibald, Ann Marie Tholl, Debora	03/05/2001 03/05/2001
RICE LAY	03/06/2001	4,000	Croteau, Raymond The Amalgamated Bank As Trustee	03/06/2001 03/06/2001
LAY RICE HORTON SKILLING	03/07/2001	27,334	Chaves, Melvin	03/07/2001
RICE LAY	03/09/2001	4,000	Gordon Kennedy, Janet	03/09/2001
LAY RICE	03/12/2001	3,500	Loomis, Shane Chambers, Valerie Shaknovich, Boris	03/12/2001 03/12/2001 03/12/2001
RICE LAY	03/13/2001	3,500	White, Edward Local 144 Nursing Home Pension Fund	03/13/2001 03/13/2001
LAY RICE SKILLING	03/14/2001	13,500	Chaves, Melvin Rubin, Joshua St.Ama, Hoyt S. F. City and County Employees' Ret. Sys.	03/14/2001 03/14/2001 03/14/2001 03/14/2001
RICE LAY	03/15/2001	3,000	Cohen, Harris Christensen, Carol	03/15/2001 03/15/2001
RICE LAY	03/16/2001	3,500	Chappelear, Jack Le Cuyer, William	03/16/2001 03/16/2001
LAY RICE	03/19/2001	3,500	Megill, Kathleen	03/20/2001

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY RICE	03/20/2001	3,500	Miles, Arlis	03/20/2001
SKILLING RICE LAY	03/21/2001	13,500	Bassett, Jeffrey Smith, Karen S. Yasunaga, Roger	03/21/2001 03/21/2001 03/21/2001
LAY RICE	03/22/2001	3,500	Sexter, Jay	03/22/2001
LAY RICE	03/23/2001	3,500	Kuntz, Michael Henning, Michael	03/23/2001 03/23/2001
LAY RICE	03/26/2001	3,500	Fields, Ashley Archibald, Ann Marie	03/26/2001 03/26/2001
RICE LAY	03/27/2001	3,500	Pomeroy, Helen Moed Winner, Robert A.	03/27/2001 03/27/2001
SKILLING LAY RICE	03/28/2001	13,500	Cassell, Thomas Scott Jr, Randolph	03/28/2001 03/28/2001
RICE LAY	03/29/2001	3,500	Davis, Robert & Peggy Byrum, Patricia	03/29/2001 03/29/2001
LAY RICE	03/30/2001	3,500	Randolph, Dawn	03/30/2001
RICE LAY	04/02/2001	3,500	Smith, James The Regents of The University of California	04/02/2001 04/02/2001
RICE LAY	04/03/2001	3,500	Pomeroy, Helen Moed S. F. City and County Employees' Ret. Sys. The Amalgamated Bank As Trustee	04/03/2001 04/03/2001 04/03/2001
LAY RICE SKILLING	04/04/2001	13,500	Stephen G. Evseeff, Ira, Lmww Custodian Fbo	04/04/2001
LAY RICE	04/05/2001	3,500	Ruckert, Rosalyn The Regents of The University of California	04/05/2001 04/05/2001



## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY RICE	04/06/2001	3,500	Huguenin, Sidney Ames III	04/06/2001
LAY RICE	04/10/2001	3,000	Chappelear, Jack S. F. City and County Employees' Ret. Sys. Cassell, Thomas	04/10/2001 04/10/2001 04/10/2001
RICE LAY SKILLING	04/11/2001	13,500	Haggerty, Christine S. F. City and County Employees' Ret Sys	04/11/2001 04/11/2001
LAY RICE	04/12/2001	3,500	Speck, Joseph C.	04/12/2001
RICE LAY	04/16/2001	3,500	Redington, Paul	04/16/2001
LAY RICE	04/17/2001	3,500	Pellatt, William	04/17/2001
SKILLING LAY RICE	04/18/2001	13,500	Tomayko, Scott Chang, Sung Hoon Zuber, Lawrence	04/18/2001 04/18/2001 04/18/2001
RICE LAY	04/19/2001	1,500	Gilby, Stephen	04/19/2001
LAY RICE	04/20/2001	3,500	Chaves, Melvin Local 144 Nursing Home Pension Fund	04/20/2001 04/20/2001
RICE LAY	04/23/2001	3,500	Beil, Helge-Jurgen	04/23/2001
RICE LAY	04/24/2001	3,500	S. F. City and County Employees' Ret. Sys. Gordon Kennedy, Janet Goloway, William	04/24/2001 04/24/2001 04/24/2001
RICE SKILLING LAY	04/25/2001	13,500	Scott Jr, Randolph Fitzbag, Timothy	04/25/2001 04/25/2001

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY RICE	04/26/2001	3,500	Breedlove, Elizabeth	04/26/2001
LAY RICE	04/27/2001	3,500	Evseeff, Stephen & Amy Croteau, Raymond	04/27/2001 04/27/2001
LAY RICE	04/30/2001	3,500	Dorman, Hunter	05/01/2001
LAY RICE	05/01/2001	4,000		
LAY SKILLING RICE	05/02/2001	14,000 8,000	Bassett, Jeffrey Smith, Karen S. S. F. City and County Employees' Ret. Sys.	05/02/2001 05/02/2001 05/02/2001
LAY RICE KOENIG	05/03/2001 05/03/2001	25,590 500	Shaknovich, Boris Birtles, Timothy	05/03/2001 05/03/2001
LAY RICE	05/07/2001	4,000	Croteau, Raymond Kearney, Michele Local 144 Nursing Home Pension Fund	05/07/2001 05/07/2001 05/07/2001
LAY RICE	05/08/2001	4,000	Bellati, Cesar Pablo Chappelear, Jack Loomis, Shane	05/08/2001 05/08/2001 05/08/2001
LAY SKILLING RICE	05/09/2001	14,000	Dixon, James	05/09/2001
RICE LAY	05/10/2001	4,000	Henning, Michael Spencer, Christopher	05/10/2001 05/10/2001
LAY RICE	05/11/2001	4,000	Local 144 Nursing Home Pension Fund	05/11/2001
LAY RICE CAUSEY HORTON	05/14/2001	24,510	Angstadt, Terry	05/14/2001

## Defendants' Insider Trading

Defendants' Sales:			Plaintiffs' Purchases:	
<u>Name</u>	<u>Date</u>	<u>Shares</u>	<u>Name</u>	<u>Date</u>
RICE	05/15/2001	4,000	Weaver, Dean	05/15/2001
LAY			Rush, Gary	05/15/2001
			Miller, William	05/15/2001
RICE	05/16/2001	14,000	Ferguson, Wendy	05/16/2001
LAY			Dorman, Hunter	05/16/2001
SKILLING				
LAY	05/17/2001	4,000	Dale, Martin	05/17/2001
RICE			Gatewood, Joy	05/17/2001
RICE	05/18/2001	304,000	Tadlock, Jerry	05/18/2001
LAY			The Amalgamated Bank As Trustee	05/18/2001
PAI			Henning, Michael	05/18/2001
LAY	05/21/2001	4,000	Schubert, William	05/21/2001
RICE			Mintz, Eric	05/21/2001
RICE	05/22/2001	4,000	Pomeroy, Helen Moed	05/22/2001
LAY				
PAI	05/23/2001	104,000	Haney, David	05/23/2001
LAY			Hollingsworth, Lloyd	05/23/2001
SKILLING			Local 144 Nursing Home Pension Fund	05/23/2001
RICE				
PAI	05/24/2001	164,000	Pomeroy, Helen Moed	05/24/2001
RICE			Loomis, Shane	05/24/2001
LAY				
PAI	05/25/2001	304,000	Uppal, Jitendra	05/25/2001
RICE				
LAY				
LAY	05/29/2001	18,000	Goloway, William	05/30/2001
RICE			Haggerty, Christine	05/30/2001
SKILLING			Scott Jr, Randolph	05/30/2001
			Smith, Karen S.	05/30/2001
RICE	05/31/2001	4,000	Hollingsworth, Lloyd	05/31/2001
LAY				

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY HORTON RICE	06/01/2001	54,000	Mestad, Keith Loomis, Shane	06/01/2001 06/01/2001
RICE LAY	06/05/2001	4,000	Pomeroy, Helen Moed	06/05/2001
RICE SKILLING LAY PAI	06/06/2001	69,629	Paukstitus, Richard Fleming, Allen Uppal, Jitendra	06/06/2001 06/06/2001 06/06/2001
LAY PAI RICE	06/07/2001	10,086	Dorman, Hunter Freer, Helen Kennedy, John Redington, Paul Uppal, Jitendra	06/07/2001 06/07/2001 06/07/2001 06/07/2001 06/07/2001
LAY RICE	06/08/2001	4,000	Blackham, Kathryn Yakovakis, Andrea	06/08/2001 06/08/2001
LAY RICE	06/11/2001	4,000	The Amalgamated Bank As Trustee Gordon Kennedy, Janet	06/11/2001 06/11/2001
LAY RICE	06/12/2001	4,000	Chappelear, Jack The Amalgamated Bank As Trustee Hollingsworth, Lloyd	06/12/2001 06/12/2001 06/12/2001
LAY SKILLING RICE	06/13/2001	14,000	Ferguson, Wendy Bassett, Jeffrey	06/13/2001 06/13/2001
LAY RICE	06/14/2001	4,000	Carpenter, Joseph Lee	06/15/2001
LAY	06/15/2001	3,500	Kearney, Michele	06/15/2001
LAY	06/18/2001	3,500	Oleston, Ryan Walther, Jürgen	06/18/2001 06/18/2001
LAY	06/19/2001	3,500	Kennedy, John Lalli, John	06/19/2001 06/19/2001

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY	06/20/2001	3,500	Freer, Helen The Amalgamated Bank As Trustee Zmek, Daniel	06/20/2001 06/20/2001 06/20/2001
LAY	06/21/2001	3,500	Berger, Melvyn Evseeff, Stephen & Amy Hollingsworth, Lloyd	06/21/2001 06/21/2001 06/21/2001
LAY	06/22/2001	3,500	Griffith, Charles	06/22/2001
LAY	06/25/2001	3,500	Derry, Jeffrey Peng, Qingzhi	06/25/2001 06/25/2001
LAY	06/26/2001	3,500	Sherman, William	06/26/2001
LAY	06/27/2001	3,500	Bassett, Jeffrey Hollingsworth, Lloyd Scott Jr, Randolph The Amalgamated Bank As Trustee	06/27/2001 06/27/2001 06/27/2001 06/27/2001
LAY	06/28/2001	3,500	Stevens, Russell Bell, Ethelyn The Amalgamated Bank As Trustee	06/28/2001 06/28/2001 06/28/2001
LAY	06/29/2001	3,500	Jones, Sally The Amalgamated Bank As Trustee	06/29/2001 06/29/2001
LAY	07/02/2001	3,500	Local 144 Nursing Home Pension Fund The Amalgamated Bank As Trustee S. F. City and County Employees' Ret. Sys.	07/02/2001 07/02/2001 07/02/2001
LAY	07/03/2001	3,500	The Amalgamated Bank As Trustee Marcum, Marc	07/03/2001 07/03/2001
LAY	07/05/2001	3,500	The Amalgamated Bank As Trustee Smith, Karen S.	07/05/2001 07/05/2001
LAY	07/06/2001	3,500		
LAY	07/09/2001	3,500	Mamera, James Loomis, Shane S. F. City and County Employees' Ret. Sys	07/09/2001 07/09/2001 07/09/2001

## **Defendants' Insider Trading**

<b>Defendants' Sales:</b>			<b>Plaintiffs' Purchases:</b>	
<u><b>Name</b></u>	<u><b>Date</b></u>	<u><b>Shares</b></u>	<u><b>Name</b></u>	<u><b>Date</b></u>
LAY	07/10/2001	3,500	Sexter, Jay	07/10/2001
LAY	07/11/2001	3,500		
LAY	07/12/2001	3,500		
RICE	07/13/2001	389,466		
LAY				
LAY	07/16/2001	3,500	Minerich, John	07/17/2001
			Kahler, David	07/17/2001
LAY	07/17/2001	3,500	Urbanczyk, Marvin/Linda	07/17/2001
LAY	07/18/2001	3,500	Goloway, William	07/18/2001
			The Regents of The University of California	07/18/2001
LAY	07/19/2001	3,500	S. F. City and County Employees' Ret. Sys.	07/19/2001
LAY	07/20/2001	3,500	Miller, William	07/20/2001
			Fornasar, Edward	07/20/2001
			Hall, Julie	07/20/2001
LAY	07/23/2001	3,500	S. F. City and County Employees' Ret. Sys.	07/23/2001
LAY	07/24/2001	3,500	Shaknovich, Boris	07/24/2001
			Berger, Melvyn	07/24/2001
			Haggerty, Christine	07/25/2001
LAY	07/25/2001	3,500	Best, Gloria	07/25/2001
			Goloway, William	07/25/2001
			Stevens, Russell	07/25/2001
LAY	07/26/2001	3,500	Atias, Shalom	07/26/2001
LAY	07/27/2001	3,500	Anderson, Terry	07/27/2001
			Martin, Michael B.	07/27/2001
LAY	07/30/2001	3,500	Panning, Jerry R.	07/30/2001
LAY	07/31/2001	3,500	Carpenter, Joseph Lee	07/30/2001
CAUSEY	08/02/2001	20,398	Miles, James	08/02/2001
RICE			S. F. City and County Employees' Ret. Sys	08/02/2001
			The Amalgamated Bank As Trustee	08/02/2001



3. Prior to 1997, Enron was not involved in the telecommunications business. On July 1, 1997, Enron acquired a public utility, Portland General Corporation, based in Portland, Oregon. As part of that acquisition, Enron acquired Portland General's telecommunications division, FirstPoint Communications, Inc. ("FirstPoint"). In 1998, Enron changed the name of FirstPoint to Enron Communications, Inc. ("ECI") and expanded the business. In approximately January 2000, ECI was renamed Enron Broadband Services (ECI and EBS will collectively be referred to herein as "EBS"). At all times relevant to this Indictment, EBS was a wholly-owned subsidiary of Enron engaged in the telecommunications business.

The Defendants

4. Defendant KENNETH RICE is a resident of Houston, Texas. RICE was Chairman and Chief Executive Officer ("CEO") of EBS from approximately July 16, 1999 to approximately July 13, 2001. RICE shared CEO responsibilities with JOSEPH HIRKO from approximately July 16, 1999 to July 28, 2000.

5. Defendant JOSEPH HIRKO is a resident of Portland, Oregon. HIRKO was President and CEO of EBS from approximately July 1, 1998 to July 28, 2000. HIRKO shared CEO responsibilities with KENNETH RICE from approximately July 16, 1999 to July 28, 2000.

6. Defendant KEVIN HANNON is a resident of Houston, Texas. HANNON was Chief Operating Officer ("COO") of EBS from approximately January 27, 2000 to June 2001.

7. Defendant KEVIN HOWARD is a resident of Houston, Texas. HOWARD was Vice President of Finance at EBS from approximately August 1, 1999 to September 2001.

8. Defendant SCOTT YEAGER is a resident of Sugarland, Texas. YEAGER became Senior Vice President of Strategic Development at EBS on approximately October 1,



1998. His employment at EBS was terminated on approximately August 1, 2001.

9. Defendant REX SHELBY is a resident of Houston, Texas. SHELBY became Senior Vice President of Engineering Operations at EBS on approximately December 9, 1998. His employment at EBS was terminated on approximately November 15, 2001.

10. Defendant MICHAEL KRAUTZ is a resident of Houston, Texas. KRAUTZ was Senior Director of Transactional Accounting at ECI/EBS from approximately August 16, 1999 to October 3, 2001.

### THE SCHEMES TO DEFRAUD

#### Summary of the Schemes

11. From at least April 1999 until May 14, 2001, defendants KENNETH RICE, JOSEPH HIRKO, KEVIN HANNON, KEVIN HOWARD, SCOTT YEAGER, REX SHELBY, and MICHAEL KRAUTZ, together with others, engaged in conduct and made false and misleading statements and omitted material information from statements made, all of which were designed to and did deceive the investing public and others about the technological capabilities, value, revenue and business performance of EBS. The defendants executed this scheme by, among other means: (i) causing Enron to issue materially false and misleading press releases; (ii) making and causing others to make materially false and misleading statements to equity analysts and others; (iii) using fraudulent means to generate revenue so that EBS could appear to reach publicly declared financial targets; and (iv) failing to disclose material adverse information about EBS's poor business performance. During this same time period, defendants RICE, HIRKO, HANNON, YEAGER, and SHELBY sold large quantities of Enron stock, generating millions of dollars in profits for themselves.

**Proposal to Build the Enron Intelligent Network**

12. In late 1998, defendant SCOTT YEAGER proposed that Enron build an advanced, software-driven "intelligent" telecommunications network. Defendant JOSEPH HIRKO backed this proposal. To implement this plan, EBS acquired Modulus, a small software company run by, among others, defendant REX SHELBY. SHELBY was tasked with turning Modulus' messaging software, called InterAgent, into complex "intelligent" network control software capable of running a nationwide telecommunications network with advanced features, such as automated billing and user-defined and controlled quality of service.

**False Statements: Press Releases**

13. On April 19, 1999, defendants HIRKO, YEAGER and SHELBY issued and caused to be issued the first of many materially false and misleading press releases. The press release announced that the Enron Intelligent Network was tested, "lit," or operational, and ready to deliver two products, a media streaming product and a media transport product. The press release stated that a software control layer powered by InterAgent was embedded on Enron's network and the networks of Enron's distribution partners. The press release stated that the InterAgent software provided built-in "intelligence" that allowed Enron to route data efficiently and reliably and provide usage-based metering and billing, bandwidth scheduling, and user-defined quality of service, or "QOS," to the desktop. All of these claims were false and misleading. Among other false claims, only a small part of the network was lit, the two media products were not functional, and the claimed network control software did not exist.

14. During the remainder of 1999, defendants RICE, HIRKO, YEAGER and SHELBY issued and caused to be issued numerous additional press releases containing false claims about

the Enron network similar to those set forth in paragraph 13 above. At various times during 1999 and early 2000, numerous EBS executives and employees told RICE, HIRKO, YEAGER and SHELBY that, among other things, the Enron network was not intelligent and Enron's press releases and marketing materials were false and misleading. Despite these warnings, and other negative information about EBS, RICE, HIRKO, YEAGER and SHELBY failed to correct past false statements and continued to issue new false statements.

15. In the summer of 1999, Enron announced that EBS would become a "core" Enron business and a major part of Enron's overall business strategy. In early November 1999, Enron senior management, HIRKO and RICE decided to make EBS the centerpiece of Enron's annual presentation to equity analysts, scheduled for January 20, 2000.

The January 20, 2000 Analyst Conference

16. Between late October 1999 and January 2000, defendants RICE, HIRKO, YEAGER, SHELBY, HOWARD and others attended meetings and participated in conference calls to prepare a PowerPoint and video presentation about EBS for Enron's upcoming analyst conference. In these meetings, RICE, YEAGER, HIRKO, SHELBY and others decided to rename Enron's network software, which was still in very early planning stages, the "Broadband Operating System," or "BOS." Early drafts of the PowerPoint presentation clearly stated that the BOS and related network control software was under development and would not be deployed and operational until a future date. During December 1999 and January 2000, these "forward-looking" statements were progressively deleted from the PowerPoint presentation.

17. On January 20, 2000, Enron made EBS the major focus of its annual equity analyst conference in Houston, Texas. During the presentation, which defendant YEAGER also attended,

defendants RICE, HIRKO, SHELBY and others made numerous false and misleading statements about EBS's fiber network, proprietary software and technical capabilities. Among other things, HIRKO, SHELBY and others claimed that EBS possessed advanced network control software that made Enron superior to its competitors by allowing Enron to control quality of service all the way to the customer's desktop and to bill customers solely for the amount of bandwidth capacity they actually used rather than at a flat billing rate. As part of this effort, SHELBY made a video presentation about the BOS in which he claimed that the BOS software was built and controlling the network, providing quality of service control and other features. These claims, along with other statements made by RICE, HIRKO, SHELBY and others during the presentation, were false and misleading. As RICE, HIRKO, SHELBY and YEAGER knew, Enron did not have any proprietary network control or BOS software on its commercial network, Enron's network did not possess most of the advanced capabilities claimed during the presentation, the only portion of the BOS project actually in existence was in development in a software lab, and most of the software specifications that would be required before the BOS software could be written and deployed had not yet been defined.

18. The Enron presentation was received favorably by analysts and investors. On January 20, 2000, the day of the presentation, the share price of Enron stock increased from approximately \$54 to \$67. The following day, the stock rose above \$72.

#### Continued False Statements

19. Following the analyst conference, between approximately January 31, 2000 and July 19, 2000, defendants RICE, HIRKO, YEAGER, SHELBY and others continued to cause the issuance of materially false and misleading press releases. These press releases falsely stated that

intelligent software or an intelligent operating system, typically referred to by name as the BOS, was embedded on the Enron network and provided quality of service control and other features. In fact, the BOS remained in the specification drafting phase, Enron had no proprietary control software deployed on its network, and Enron had no software that could control quality of service.

#### The Blockbuster Agreement

20. On April 5, 2000, EBS signed a 20-year exclusive agreement with Blockbuster Inc. ("Blockbuster"), the nation's largest video rental company, to stream movies to customers' homes. Under the agreement, Blockbuster was responsible for obtaining digital rights to film content from studios and other sources. EBS was responsible for encoding the movies and streaming them over its telecommunications network to customers' homes. This business was known as "video on demand," or "VOD," because the customers were supposed to be able to access and watch movies in their homes whenever they wanted. To obtain this contract, EBS employees misled Blockbuster employees about the capabilities of the Enron network and software. Enron announced the deal on July 19, 2000, issuing a press release that was false and misleading in numerous respects.

21. The VOD service never got beyond the testing stage, as EBS never developed a cost-effective way to stream movies to customers' homes, and Blockbuster and EBS never obtained sufficient quantities of premium content to distribute over the system. As a result, the EBS/Blockbuster relationship never generated any significant recurring revenue for EBS.

#### Origins of Project Braveheart

22. Enron's Chief Operating Officer projected at the January 2000 analyst conference that EBS would lose approximately \$60 million during 2000. On October 9, 2000, defendants

RICE, HANNON, HOWARD, YEAGER and others were informed that EBS - which had failed to generate any significant recurring revenues during 2000 - would lose approximately \$118 million in the fourth quarter of 2000 alone. As a result, RICE, HANNON, HOWARD and YEAGER knew that absent a large infusion of revenue before year end, EBS would miss its previously announced target by a wide margin.

23. In approximately fall of 2000, defendant HOWARD ordered Enron employees who reported to him to examine the Blockbuster agreement to see if there was any way Enron could derive accelerated earnings for the fourth quarter of 2000. The structured finance transaction that resulted was known at EBS by the code name "Project Braveheart" and was designed to allow EBS to "monetize" the Blockbuster agreement. The monetization first involved calculating the net present value of the VOD business, based upon estimated future earnings from the VOD business, and then creating a joint venture that would allow EBS to sell those future earnings to a third party as a financial asset. EBS would then recognize the gain from this sale as revenue immediately at the time of the monetization, rather than gradually over the life of the agreement. Though EBS initially planned to recognize a small amount of the proceeds as revenue in 2000, HANNON and HOWARD ordered that the size of the transaction be increased over the course of the fourth quarter of 2000, as defendants HANNON, HOWARD and others learned that EBS would miss its earnings target by an increasing amount.

Structure of the Braveheart Transaction

24. In order to complete the Braveheart transaction, EBS created a joint venture with two investors: nCube, a small VOD technology company based in Beaverton, Oregon, and "Thunderbird," an investment vehicle owned by an Enron-controlled investment fund called

"Whitewing." nCube and Thunderbird purportedly combined to contribute 3% of the equity of the joint venture, which was called EBS Content Systems LLC. The joint venture was purposely "deconsolidated" from Enron's books so that the results of its operations were not reflected on Enron's financial statements. EBS assigned the Blockbuster contract to the joint venture. EBS then sold a portion of its interest in the joint venture for approximately \$115 million to an investment structure called "Hawaii 125-0," which previously had been created and funded by the Canadian Imperial Bank of Commerce ("CIBC"). Enron recognized approximately \$111 million of the \$115 million it received from CIBC as revenue in the fourth quarter of 2000 and the first quarter of 2001.

#### Accounting Requirements for the Braveheart Transaction

25. Under relevant accounting rules, Enron could recognize earnings from the Braveheart transaction only if, among other things, three basic accounting requirements were met: (i) EBS did not control the joint venture; (ii) nCube and Thunderbird made at-risk equity investments in the joint venture, and these investments remained at risk for the duration of the joint venture; and (iii) the Hawaii 125-0 trust's capital structure included at least a 3% at-risk equity investment. Defendants HOWARD and KRAUTZ were aware of and understood these requirements. If these requirements were not met, the proceeds Enron received from CIBC should have been reported as debt, not revenue.

#### Violation of Accounting Requirements

26. Defendants HOWARD, KRAUTZ and others intentionally violated these accounting requirements in order to complete the transaction and record \$111 million in revenue for Enron. Among other things, HOWARD, KRAUTZ, and others (i) selected nCube as a joint

venture partner because they knew that nCube would and did allow EBS to control the joint venture; (ii) promised nCube that it could sell its interest in the joint venture to EBS or an EBS designee in early 2001 and would receive at that time its investment plus a fixed return; and (iii) "sold" an interest in the joint venture to CIBC even though HOWARD and others knew that Enron had promised CIBC that it would not lose money on its Hawaii 125-0 transactions.

27. Defendants HOWARD, KRAUTZ and others also intentionally deceived Arthur Andersen accountants working on the transaction by failing to disclose, among other things, that the Braveheart transaction deliberately had been structured in a way that violated applicable accounting requirements. As HOWARD and KRAUTZ knew, had all of the facts about the transaction been disclosed, Enron would not have been able to report any of the \$111 million in revenue.

#### Impact of the Braveheart Transaction

28. In the fourth quarter of 2000, \$53 million of EBS's reported \$63 million in revenue came from Braveheart, while in the first quarter of 2001, \$58 million of EBS's \$85 million in reported revenue was from the transaction. On January 22, 2001, Enron's Chief Operating Officer announced to equity analysts on a conference call that EBS had met its \$60 million loss target. Absent the fraudulent Braveheart revenues, EBS would have missed its publicly stated target for the year 2000 by more than \$50 million. Enron reported the revenue from the Braveheart transaction on its publicly filed SEC form 10-K for 2000 and SEC form 10-Q for the first quarter of 2001.

#### The January 25, 2001 Analyst Conference

29. Between approximately October 2000 and January 22, 2001, defendants RICE and



HANNON were repeatedly informed that EBS was performing very poorly, EBS had made little commercial progress during 2000, EBS's network should be sold, and EBS had an unsupportable cost structure. This information was provided by senior executives, independent business consultants, and in weekly management summaries setting forth EBS's projected losses. On January 22, 2001, RICE and HANNON were informed that every business unit at EBS was losing money and that EBS currently estimated that it would lose more than \$149 million in the first quarter of 2001.

30. In December 2000, defendants RICE and HANNON were informed that Blockbuster was threatening to terminate the EBS-Blockbuster VOD agreement because, among other things, EBS had failed to meet its contractual commitment to sign distribution agreements with each regional Bell operating company by December 2000. In order to prevent termination, which would threaten the Braveheart transaction, EBS negotiated an extension with Blockbuster in which both parties agreed not to terminate the agreement before March 2001. The agreement was subsequently terminated in March 2001.

31. In January 2000, defendants RICE and HANNON held a series of meetings to plan the EBS presentation for Enron's upcoming annual equity analyst conference, scheduled for January 25, 2001. During these meetings, RICE and HANNON, among other things, reviewed estimates of EBS's value. During one meeting, RICE and HANNON reviewed a model showing the value of EBS's content distribution business as \$8 billion, a sharp decline from the \$18 billion estimate presented at the 2000 analyst conference. After RICE stated that he would not allow EBS to present a number lower than the prior year, the number was inflated to \$21 billion.

32. On January 25, 2001, defendants RICE and HANNON made a presentation about

EBS at Enron's annual equity analyst conference. In the EBS presentation, RICE stated, among other things, that EBS's strategy was right on target; EBS's content delivery business had an outstanding year; Blockbuster was EBS's "anchor tenant" with a 20-year deal; EBS had a commercially viable and scalable broadband delivery platform; the BOS was up and running and controlling Enron's network; EBS was ahead of where it expected to be in January 2000; and EBS, which Enron claimed was worth an estimated \$30 billion in January 2000, was now, after deducting costs, worth \$36 billion, with \$21 billion of that figure derived from content services. These statements and others were false and misleading. RICE and HANNON did not disclose that EBS was performing worse than expected, that every business unit at EBS but one was losing more money than expected, that EBS did not have a cost effective or scalable broadband delivery platform, that the BOS was still under development, that the Blockbuster deal was in danger of cancellation and had been extended only through March 2001, or that, even though EBS had yet to receive any significant revenue from the Blockbuster deal, it already had sold the majority of the revenue from the Blockbuster contract through the Braveheart transaction. RICE also stated that EBS would lose \$65 million in 2001, even though he had been provided three days earlier with EBS's own internal estimate of far greater losses.

#### The Defendants' Stock Trading

33. Defendants RICE, HIRKO, HANNON, YEAGER and SHELBY received shares of Enron stock as part of their compensation. At a time when they and others at Enron were making materially false and misleading public statements about EBS, the defendants sold large quantities of Enron stock, generating huge profits. Specifically, between January 20, 2000 and July 12, 2001, RICE sold \$53,087,529.44 worth of Enron stock. Between January 20, 2000 and July 28,

2000, HIRKO sold \$35,167,761.41 worth of Enron stock. On December 26, 2000, HANNON sold \$7,852,750.60 in Enron stock. Between January 20, 2000 and August 23, 2000, YEAGER sold \$54,660,686.46 in Enron stock. Between January 20, 2000 and July 19, 2000, SHELBY sold \$35,230,923.89 worth of Enron stock.

**COUNT ONE**

(Conspiracy to Commit Wire and Securities Fraud)

34. The allegations of paragraphs 1 through 33 are realleged as if fully set forth here.

35. In or about and between at least April 19, 1999 and May 14, 2001, both dates being approximate and inclusive, within the Southern District of Texas and elsewhere, the defendants KENNETH RICE, JOSEPH HIRKO, KEVIN HANNON, KEVIN HOWARD, SCOTT YEAGER, REX SHELBY and MICHAEL KRAUTZ, together with others, did knowingly and intentionally conspire (1) willfully and unlawfully to use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) to employ devices, schemes and artifices to defraud; (ii) to make untrue statements of material fact and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) to engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with the purchase and sale of Enron stock and by the use of the instruments of communication in interstate commerce and the mails, in violation of Title 15, United States Code, Section 78j(b), 78ff and Rule 10b-5 of the SEC, Title 17, Code of Federal Regulations, Section 240.10b-5, and (2) to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and, for the purpose of executing

such scheme and artifice, to cause interstate wire communications in violation of Title 18, United States Code, Section 1343.

### OVERT ACTS

36. In furtherance of the conspiracy and to effect the objects thereof, within the Southern District of Texas and elsewhere, the defendants KENNETH RICE, JOSEPH HIRKO, KEVIN HANNON, KEVIN HOWARD, SCOTT YEAGER, REX SHELBY, MICHAEL KRAUTZ, and others, did commit and cause to be committed the following overt acts, among others:

#### False Press Releases - 1999

- a. On or about April 19, 1999, HIRKO, YEAGER, SHELBY and others issued and caused to be issued a press release regarding the Enron Intelligent Network.
- b. On or about April 19, 1999, HIRKO, YEAGER, SHELBY and others issued and caused to be issued a press release regarding Media Cast.
- c. On or about May 11, 1999, HIRKO, YEAGER, SHELBY and others issued and caused to be issued a press release regarding a fiber lease agreement.
- d. On or about May 20, 1999, HIRKO, YEAGER, SHELBY and others issued and caused to be issued a press release regarding a global bandwidth commodity market.
- e. On or about September 23, 1999, RICE, HIRKO, YEAGER, SHELBY and others issued and caused to be issued a press release regarding the Country Music Awards webcast.
- f. On or about October 26, 1999, RICE, HIRKO, YEAGER, SHELBY and others issued and caused to be issued a press release regarding new ISP partners.

#### The 2000 Analyst Conference

- g. In or about and between November 1999 and January 2000, both dates being

approximate and inclusive, RICE, HIRKO, HOWARD, YEAGER, SHELBY and others attended meetings and participated in conference calls to plan the scheduled January 20, 2000 analyst conference.

h. On or about November 9, 1999, RICE instructed business consultants that RICE, HIRKO and SHELBY would be responsible for planning the upcoming January 2000 equity analyst conference.

i. On or about January 20, 2000, RICE, HIRKO, SHELBY and others made false statements about EBS at Enron's equity analyst conference.

False Press Releases - 2000

j. On or about January 31, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and others issued and caused to be issued a press release regarding Sycamore Networks.

k. On or about March 8, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and others issued and caused to be issued a press release regarding i2.

l. On or about March 30, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and others issued and caused to be issued a press release regarding VOD Network Solutions.

m. On or about April 11, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and others issued and caused to be issued a press release regarding AtomFilms.

n. On or about May 15, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and others issued and caused to be issued a press release regarding Warpspeed.

o. On or about June 29, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and others issued and caused to be issued a press release regarding Wimbledon.

p. On or about July 19, 2000, RICE, HIRKO, HANNON, YEAGER, SHELBY and

others issued and caused to be issued a press release regarding Blockbuster.

The 2001 Analyst Conference

q. In or about January 2001, RICE, HANNON and others attended meetings to plan the scheduled January 25, 2001 analyst conference.

r. On or about January 25, 2001, RICE, HANNON and others made false statements about EBS to equity analysts at Enron's equity analyst conference in Houston, Texas.

Project Braveheart

s. In or about early fall 2000, HOWARD ordered EBS employees to examine the Blockbuster agreement to see if Enron could use it to generate revenue in the fourth quarter of 2000.

t. On or about September 19, 2000, KRAUTZ sent an e-mail message to EBS employees regarding the Blockbuster agreement and the proposed monetization.

u. On or about October 10, 2000, HOWARD sent an e-mail message to an EBS employee discussing formation of the joint venture and the relevant accounting requirements.

v. On or about November 7, 2000, HOWARD caused an EBS employee to send an e-mail message to a representative of nCube proposing formation of the joint venture.

w. On or about November 8, 2000, HOWARD met with an nCube executive to propose formation of the joint venture.

x. On or about November 22, 2000, HOWARD and KRAUTZ participated in a telephone conversation with nCube executives to discuss the proposed joint venture.

y. On or about November 22, 2000, KRAUTZ caused an EBS employee to send to nCube a document that set forth proposed accounting journal entries.

- z. On or about November 30, 2000, HOWARD and KRAUTZ participated in a telephone conversation with nCube executives to discuss the proposed joint venture.
- aa. On or about December 13, 2000, KRAUTZ sent an e-mail message to Arthur Andersen and Enron employees describing the nature of nCube's investment in the joint venture.
- bb. On or about February 7, 2001, KRAUTZ sent an e-mail message to an EBS employee regarding possible disclosure of information to Arthur Andersen.
- cc. On or about February 16, 2001, HOWARD caused \$1.7 million to be wired from an Enron bank account in New York to an nCube account at the Bank of America in Beaverton, Oregon.
- dd. On or about March 1, 2001, KRAUTZ sent an e-mail message to an EBS employee regarding EBS's performance of duties by the joint venture.
- ee. On or about March 15, 2001, HOWARD sent an e-mail message to EBS employees congratulating them on the Braveheart transaction.
- ff. In or about April 2001, HOWARD presented an executive summary of the Braveheart transaction to senior EBS executives.

( Title 18, United States Code, Sections 371 and 3551 et seq.)

**COUNT TWO**

(Securities Fraud: January 2000 Analyst Conference)

- 37. The allegations of paragraphs 1 through 33 and 36(g - i) are realleged as if fully set forth here.
- 38. On or about January 20, 2000, within the Southern District of Texas and elsewhere, the defendants KENNETH RICE, JOSEPH HIRKO, SCOTT YEAGER and REX

SHELBY, together with others, did willfully and unlawfully use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) employ devices, schemes and artifices to defraud; (ii) make untrue statements of material facts and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of Enron stock and by the use of the instruments of communication in interstate commerce and the mails.

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS THREE THROUGH FOURTEEN**  
(Wire Fraud: April 1999 to July 2000)

39. The allegations of paragraphs 1 through 33 and 36(a - f) and (j - p) are realleged as if fully set forth here.

40. On or about the dates specified below, within the Southern District of Texas and elsewhere, the defendants KENNETH RICE, JOSEPH HIRKO, SCOTT YEAGER and REX SHELBY, together with others, having devised a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, did for the purpose of executing such scheme and artifice transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds, as follows:



Count	Date	From	To	Description
3	4/19/99	New York, NY	Nationwide <sup>1/</sup>	Press Release
4	5/11/99	New York, NY	Nationwide	Press Release
5	5/20/99	New York, NY	Nationwide	Press Release
6	9/23/99	New York, NY	Nationwide	Press Release
7	10/26/99	New York, NY	Nationwide	Press Release
8	1/31/00	New York, NY	Nationwide	Press Release
9	3/8/00	New York, NY	Nationwide	Press Release
10	3/30/00	New York, NY	Nationwide	Press Release
11	4/11/00	New York, NY	Nationwide	Press Release
12	5/15/00	New York, NY	Nationwide	Press Release
13	6/29/00	New York, NY	Nationwide	Press Release
14	7/19/00	New York, NY	Nationwide	Press Release

(Title 18, United States Code, Sections 1343, 2 and 3551 et seq.)

#### **COUNT FIFTEEN**

(Securities Fraud: Project Braveheart)

41. The allegations of paragraphs 1 through 33 and 36(s - ff) are realleged as if fully set forth here.

42. In or about and between fall 2000 and May 14, 2001, both dates being approximate and inclusive, within the Southern District of Texas and elsewhere, the defendants KEVIN HOWARD and MICHAEL KRAUTZ, together with others, did willfully and unlawfully use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) employ devices, schemes and artifices to defraud; (ii) make untrue statements of material facts

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<sup>1/</sup> Among other places, these "nationwide" press releases were disseminated to Houston, Texas.

and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of Enron stock and by the use of the instruments of communication in interstate commerce and the mails.

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS SIXTEEN THROUGH THIRTY**  
(Wire Fraud: Project Braveheart)

43. The allegations of paragraphs 1 through 33 and 36(s - ff) are realleged as if fully set forth here.

44. On or about the dates specified below, within the Southern District of Texas and elsewhere, the defendants KEVIN HOWARD and MICHAEL KRAUTZ, together with others, having devised a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, did for the purpose of executing such scheme and artifice transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds, as follows:

Count	Date	From	To	Description
16	11/07/00	Houston, TX	California	e-mail
17	11/17/00	Houston, TX	Oregon	e-mail
18	11/22/00	Houston, TX	Oregon	e-mail
19	11/22/00	Houston, TX	Oregon	e-mail
20	11/22/00	Houston, TX	Oregon	telephone call

21	11/30/00	Houston, TX	Oregon	telephone call
22	12/08/00	Houston, TX	Oregon	e-mail
23	12/20/00	Houston, TX	Oregon	e-mail
24	1/24/01	Oregon	Houston, TX	e-mail
25	1/26/01	Houston, TX	Oregon	e-mail
26	1/26/01	Oregon	Houston, TX	e-mail
27	2/08/01	Houston, TX	Oregon	e-mail
28	2/14/01	Houston, TX	Oregon	e-mail
29	2/16/01	Houston, TX	Oregon	e-mail
30	2/16/01	Houston, TX	Oregon	e-mail

(Title 18, United States Code, Sections 1343, 2 and 3551 et seq.)

**COUNT THIRTY-ONE**

(Securities Fraud: 2001 Analyst Conference)

45. The allegations of paragraphs 1 through 33 and 36(q - r) are realleged as if fully set forth here.

46. On or about January 25, 2001, within the Southern District of Texas, the defendant KENNETH RICE, together with others, did willfully and unlawfully use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) employ devices, schemes and artifices to defraud; (ii) make untrue statements of material facts and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of Enron stock and by the use of the instruments of communication in interstate commerce and the mails.

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff, Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS THIRTY-TWO THROUGH FORTY-EIGHT**  
(Insider Trading: KENNETH RICE)

47. The allegations in paragraphs 1 through 33 are realleged as if fully set forth here.

48. On or about the dates set forth below, within the Southern District of Texas and elsewhere, the defendant KENNETH RICE knowingly and willfully used and employed manipulative and deceptive devices and contrivances, by use of means and instrumentalities of interstate commerce, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), in that he engaged in acts, practices, and courses of business which would operate as a fraud and deceit upon members of the investing public in connection with the purchase or sale of securities, in violation of Title 15, United States Code, Section 78j(b) and 78ff. Specifically, while in possession of material non-public information regarding the technological capabilities, value, revenue and business performance of Enron Communications, Inc. and Enron Broadband Services, RICE sold shares of Enron stock and generated total proceeds of \$53,087,529.44 including but not limited to the following sales:

Count	Date	Shares	Sale Price	Gross Proceeds
32	2/17/00	42,400	\$ 70.3870	\$ 2,984,408.80
33	2/17/00	26,700	\$ 70.3870	\$ 1,879,332.90
34	2/17/00	49,382	\$ 70.3870	\$ 3,475,850.83
35	4/19/00	5,022	\$ 70.4940	\$ 354,020.87
36	4/19/00	9,980	\$ 70.4940	\$ 703,530.12

37	4/19/00	26,698	\$ 70.4940	\$ 1,882,048.81
38	4/19/00	58,300	\$ 70.4940	\$ 4,109,800.20
39	8/29/00	50,000	\$ 86.8473	\$ 4,342,365.00
40	8/29/00	13,920	\$ 86.8473	\$ 1,208,914.42
41	8/29/00	60,182	\$ 86.8473	\$ 5,226,644.21
42	12/13/00	100,000	\$ 76.6901	\$ 7,669,010.00
43	1/3/01	1,000	\$ 77.6250	\$ 77,625.00
44	1/3/01	1,000	\$ 77.00	\$ 77,000.00
45	1/3/01	1,500	\$ 76.00	\$ 114,000.00
46	2/14/01	136,300	\$ 80.0531	\$10,911,237.53
47	6/14/01	250	\$ 49.50	\$ 12,400.00
48	6/14/01	250	\$ 48.04	\$ 12,010.00

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS FORTY-NINE THROUGH FIFTY-SEVEN**  
**(Insider Trading: JOSEPH HIRKO)**

49. The allegations in paragraphs 1 through 33 are realleged as if fully set forth here.

50. On or about the dates set forth below, within the Southern District of Texas and elsewhere, the defendant JOSEPH HIRKO knowingly and willfully used and employed manipulative and deceptive devices and contrivances, by use of means and instrumentalities of interstate commerce, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), in that he engaged in acts, practices, and courses of business which would operate as a fraud and deceit upon members of the investing public in connection with the purchase or sale of securities,

in violation of Title 15, United States Code, Section 78j(b) and 78ff. Specifically, while in possession of material non-public information regarding the technological capabilities, value, revenue and business performance of Enron Communications, Inc. and Enron Broadband Services, HIRKO sold shares of Enron stock as follows, generating total proceeds of \$35,167,761.41:

Count	Date	Shares	Sale Price	Gross Proceeds
49	2/18/00	761	\$ 69.3852	\$ 52,802.14
50	2/18/00	31,710	\$ 69.3852	\$ 2,200,204.69
51	2/18/00	2,741	\$ 69.3852	\$ 190,184.83
52	2/18/00	57,975	\$ 69.3852	\$ 4,022,606.97
53	4/20/00	35,212	\$ 70.6972	\$ 2,489,389.81
54	4/20/00	95,438	\$ 70.6972	\$ 6,747,199.37
55	5/11/00	35,212	\$ 78.0496	\$ 2,748,282.52
56	5/11/00	156,788	\$ 78.0496	\$12,237,240.68
57	5/12/00	58,000	\$ 77.2388	\$ 4,479,850.40

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNT FIFTY-EIGHT**  
(Insider Trading: KEVIN HANNON)

51. The allegations in paragraphs 1 through 33 are realleged as if fully set forth here.
52. On or about the dates set forth below, within the Southern District of Texas and elsewhere, the defendant KEVIN HANNON knowingly and willfully used and employed manipulative and deceptive devices and contrivances, by use of means and instrumentalities of interstate commerce, in violation of Rule 10b-5 of the Rules and Regulations of the United States

Securities and Exchange Commission ("SEC") (Title 17, Code of Federal Regulations, Section 240.10b-5), in that he engaged in acts, practices, and courses of business which would operate as a fraud and deceit upon members of the investing public in connection with the purchase or sale of securities, in violation of Title 15, United States Code, Section 78j(b) and 78ff. Specifically, while in possession of material non-public information regarding the technological capabilities, value, revenue and business performance of Enron Broadband Services, HANNON sold shares of Enron stock as follows:

Count	Date	Shares	Sale Price	Gross Proceeds
58	12/26/00	94,000	\$ 83.5399	\$ 7,852,750.60

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff, Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS FIFTY-NINE THROUGH EIGHTY**  
(Insider Trading: SCOTT YEAGER)

53. The allegations in paragraphs 1 through 33 are realleged as if fully set forth here.

54. On or about the dates set forth below, within the Southern District of Texas and elsewhere, the defendant SCOTT YEAGER knowingly and willfully used and employed manipulative and deceptive devices and contrivances, by use of means and instrumentalities of interstate commerce, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), in that he engaged in acts, practices, and courses of business which would operate as a fraud and deceit upon members of the investing public in connection with the purchase or sale of securities, in violation of Title 15, United States Code, Section 78j(b) and 78ff. Specifically, while in

possession of material non-public information regarding the technological capabilities, value, revenue and business performance of Enron Communications, Inc. and Enron Broadband Services, YEAGER sold shares of Enron stock as follows, generating total proceeds of \$54,660,686.46:

Count	Date	Shares	Sale Price	Gross Proceeds
59	1/21/00	100,000	\$ 72.0689	\$ 7,206,890.00
60	3/22/00	25,000	\$ 75.00	\$ 1,875,000.00
61	4/12/00	10,000	\$ 73.7563	\$ 737,563.00
62	5/10/00	10,000	\$ 75.00	\$ 750,000.00
63	5/11/00	10,000	\$ 77.2650	\$ 772,650.00
64	6/8/00	10,000	\$ 72.00	\$ 720,000.00
65	6/9/00	10,000	\$ 74.00	\$ 740,000.00
66	7/24/00	50,000	\$ 74.8750	\$ 3,743,750.00
67	7/27/00	25,000	\$ 74.00	\$ 1,850,000.00
68	7/27/00	25,000	\$ 74.95	\$ 1,873,750.00
69	7/27/00	25,000	\$ 74.5315	\$ 1,863,287.50
70	7/27/00	50,000	\$ 75.8215	\$ 3,791,075.00
71	7/27/00	50,000	\$ 76.9669	\$ 3,848,345.00
72	7/27/00	4,100	\$ 75.6870	\$ 310,316.70
73	7/27/00	900	\$ 75.75	\$ 68,175.00
74	8/2/00	50,000	\$ 77.8875	\$ 3,894,375.00
75	8/7/00	80,500	\$ 79.8633	\$ 6,428,995.65
76	8/8/00	69,500	\$ 81.0598	\$ 5,633,656.10
77	8/14/00	25,000	\$ 83.00	\$ 2,075,000.00
78	8/16/00	25,000	\$ 84.0018	\$ 2,100,045.00
79	8/17/00	25,000	\$ 85.35	\$ 2,133,750.00



80	8/23/00	25,000	\$ 89.7625	\$ 2,244,062.50
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(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS EIGHTY-ONE THROUGH EIGHTY-EIGHT**  
(Insider Trading: REX SHELBY)

55. The allegations in paragraphs 1 through 33 are realleged as if fully set forth here.

56. On or about the dates set forth below, within the Southern District of Texas and elsewhere, the defendant REX SHELBY knowingly and willfully used and employed manipulative and deceptive devices and contrivances, by use of means and instrumentalities of interstate commerce, in violation of Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), in that he engaged in acts, practices, and courses of business which would operate as a fraud and deceit upon members of the investing public in connection with the purchase or sale of securities, in violation of Title 15, United States Code, Section 78j(b) and 78ff. Specifically, while in possession of material non-public information regarding the technological capabilities, value, revenue and business performance of Enron Communications, Inc. and Enron Broadband Services, SHELBY sold shares of Enron stock and generated total proceeds of \$35,230,923.89 including but not limited to the following sales:

Count	Date	Shares	Sale Price	Gross Proceeds
81	1/21/00	75,000	\$ 72.00	\$ 5,400,000.00
82	1/21/00	75,000	\$ 70.25	\$ 5,268,750.00
83	2/1/00	50,000	\$ 66.5469	\$ 3,327,345.00
84	3/22/00	47,500	\$ 75.00	\$ 3,562,500.00

85	6/26/00	207,615	\$ 70.8199	\$14,703,273.54
86	6/27/00	1,450	\$ 70.00	\$ 101,500.00
87	6/28/00	39,665	\$ 70.00	\$ 2,776,550.00
88	7/19/00	1,230	\$ 73.2144	\$ 90,053.71

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

**COUNTS EIGHTY-NINE THROUGH NINETY-EIGHT**  
(Money Laundering: KENNETH RICE)

57. The allegations in paragraphs 1 through 33, 40 and 48 are realleged as if fully set forth here.

58. On or about the dates listed in the chart below, within the Southern District of Texas and elsewhere, the defendant KENNETH RICE did knowingly engage and attempt to engage, and did aid, abet, counsel, command, induce, procure and cause others to engage and attempt to engage in the following monetary transactions by, through or to a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, to wit, the following transfers of funds generated through wire fraud and fraud in the sale of securities, which funds were derived from a specified unlawful activity, that is, wire fraud in violation of Title 18, United State Code, Section 1343, and fraud in the sale of securities in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5.

Count	Date	Transaction
89	2/23/2000	Exchange of \$3,975,597.37 in proceeds from sale of Enron stock to offset margin debt in Paine Webber account no. HS E0255

90	4/25/2000	Exchange of \$6,236,021.67 in proceeds from sale of Enron stock to offset margin debt in Paine Webber account no. HS E0255
91	9/1/2000	Exchange of \$7,210,463.09 in proceeds from sale of Enron stock to offset margin debt in Paine Webber account no. HS E0255
92	9/6/2000	Transfer of \$1,050,500 by federal fund wire from Paine Webber account no. HS E0255 to United Title Companies
93	9/7/2000	Transfer of \$43,457.60 by check number 2223, payable to Charles Cunniffe Architects, from Paine Webber account no. HS E 0255
94	9/18/2000	Transfer of \$2,421,958.27 from Paine Webber account no. HS E0255 to Paine Webber account no. HM E 0007
95	1/3/2001	Transfer of \$3,882,947.95 from Paine Webber account no. HM E0281 to Paine Webber account no. HM E0007
96	3/9/2001	Transfer of \$1,500,000 from Paine Webber account no. HM E0281 to Paine Webber account no. HM E0007
97	5/22/2001	Transfer of \$1,419,911.43 from Paine Webber account no. HM E0281 to Paine Webber account no. HM E0007
98	7/12/2001	Transfer of \$508,806.75 from Paine Webber account no. HS G3848 to Paine Webber account no. HM E0007

(Title 18, United States Code, Sections 1957, 2 and 3551 et seq.)

**COUNTS NINETY-NINE THROUGH ONE HUNDRED TEN**  
(Money Laundering: JOSEPH HIRKO)

59. The allegations in paragraphs 1 through 33, 40 and 50 are realleged as if fully set forth here.

60. On or about the dates listed in the chart below, within the Southern District of Texas and elsewhere, the defendant JOSEPH HIRKO did knowingly engage and attempt to engage, and did aid, abet, counsel, command, induce, procure and cause others to engage and attempt to engage in the following monetary transactions by, through or to a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, to

wit, the following transfers of funds generated through wire fraud and fraud in the sale of securities, which funds were derived from a specified unlawful activity, that is, wire fraud in violation of Title 18, United State Code, Section 1343, and fraud in the sale of securities in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5.

Count	Date	Transaction
99	3/31/2000	Transfer of \$224,500 from Paine Webber account no. HS 72449 to purchase 8,087.176 units of Pilgrim International Core Growth Fund Class A
100	3/31/2000	Transfer of \$224,500 from Paine Webber account no. HS 72449 to purchase 13,944.099 units of Pilgrim International Value Class A
101	3/31/2000	Transfer of \$224,500 from Paine Webber account no. HS 72449 to purchase 7,389.73 units of Pilgrim Growth & Value Class A
102	3/31/2000	Transfer of \$224,500 from Paine Webber account no. HS 72449 to purchase 5,182.36 units of Federated Intl Small Company Fd A
103	4/4/2000	Transfer of \$336,794 from Paine Webber account no. HS 72449 to Paine Webber account no. HS E5704
104	4/4/2000	Transfer of \$336,794 from Paine Webber account no. HS 72449 to Paine Webber account no. HS E5705
105	4/4/2000	Transfer of \$336,794 from Paine Webber account no. HS 72449 to Paine Webber account no. HS E5697
106	4/7/2000	Transfer of \$96,500 from Paine Webber account no. HS 72449 to Paine Webber account no. HS E5697
107	4/26/2000	Transfer of \$2,860,716.53 from Paine Webber account no. HS 72449, by check no. HS76782 to Bank of America account no. 28041-15626
108	5/17/2000	Transfer of \$3,674,635.99 from Paine Webber account no. HS 72449, by check no. HS78811 to Bank of America account no. 28041-15626

109	5/18/2000	Transfer of \$1,087,216.54 from Paine Webber account no. HS 72449, by check no. HS78858 to Bank of America account no. 28041-15626
110	9/21/2000	Transfer of \$234,068.43, as part of a larger transfer of \$301,113.30 from Paine Webber account no. HM 01298 to Paine Webber account no. HM 0292

(Title 18, United States Code, Sections 1957, 2 and 3551 et seq.)

**COUNTS ONE HUNDRED ELEVEN THROUGH TWO HUNDRED NINE**  
**(Money Laundering: SCOTT YEAGER)**

61. The allegations in paragraphs 1 through 33, 40 and 54 are realleged as if fully set forth here.

62. On or about the dates listed in the chart below, within the Southern District of Texas and elsewhere, the defendant SCOTT YEAGER did knowingly engage and attempt to engage, and did aid, abet, counsel, command, induce, procure and cause others to engage and attempt to engage in the following monetary transactions by, through or to a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, to wit, the following transfers of funds generated through wire fraud and fraud in the sale of securities, which funds were derived from a specified unlawful activity, that is, wire fraud in violation of Title 18, United State Code, Section 1343, and fraud in the sale of securities in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5.

Count	Date	Transaction
111	2/7/2000	Transfer of \$250,000 by federal funds wire from Paine Webber Account no. HS E2608 to Salomon Smith Barney Account no. 414-4317510106

112	3/15/2000	Transfer of \$999,892.31 by federal funds wire, as part of a larger transfer of \$1,000,000, from Paine Webber Account no. HS E2608 to EOL Partnership
113	4/5/2000	Transfer of \$100,000 by federal funds wire from Paine Webber Account no. HS E2608 to BancFirst - Insured Escrow Service
114	4/10/2000	Transfer of \$400,000 by federal funds wire from Paine Webber Account no. HS E2608 to Merrill Lynch account no. 230-63517
115	6/14/2000	Payment of \$250,000.00 from Paine Webber Account no. HS E2608 to purchase 10 shares of Dreyfus Muni Income Inc.
116	6/14/2000	Payment of \$750,000.00 from Paine Webber Account no. HS E2608 to purchase 30 shares of Muniyield Fund Inc
117	6/16/2000	Transfer of \$425,000 by federal funds wire from Paine Webber Account no. HS E2608 to Merrill Lynch Account no. 230-63517
118	8/14/2000	Transfer of \$10,000 by check number 102, payable to John Summers, from Paine Webber Account no. HS E2608
119	8/14/2000	Transfer of \$10,000 by check number 103, payable to Russell Summers, from Paine Webber Account no. HS E2608
120	8/14/2000	Transfer of \$10,000 by check number 106, payable to Justin Yeager, from Paine Webber Account no. HS E2608
121	8/14/2000	Transfer of \$10,000 by check number 107 payable to Joshua Yeager, from Paine Webber Account no. HS E2608
122	8/14/2000	Transfer of \$10,000 by check number 104, payable to Katie Summers, from Paine Webber Account no. HS E2608
123	8/14/2000	Transfer of \$10,000 by check number 105, payable to Katie Summers, from Paine Webber Account no. HS E2608
124	8/21/2000	Transfer of \$50,000 by check number 109, payable to FSY Consultants, from Paine Webber Account no. HS E2608
125	8/23/2000	Payment of \$2,000,000.00 from Paine Webber Account no. HS E2608 to purchase 2,000,000 units of Manulife North American
126	8/25/2000	Payment of \$100,143.39 from Paine Webber Account no. HS E2608 to purchase 100,000 units of Gulf Coast Wtr Tex W/Sys Bonds
127	8/25/2000	Payment of \$103,454.50 from Paine Webber Account no. HS E2608 to purchase 100,000 units of Western Wash Univ Wash Rev Bonds
128	8/25/2000	Payment of \$105,936.25 from Paine Webber Account no. HS

		<b>E2608 to purchase 105,000 units of Liberal Kans G.O. Bonds</b>
129	8/25/2000	Payment of \$106,299.38 from Paine Webber Account no. HS <b>E2608 to purchase 105,000 units of West Vy City Mun Bldg Rev Bonds</b>
130	8/25/2000	Payment of \$144,743.33 from Paine Webber Account no. HS <b>E2608 to purchase 150,000 units of Kansas City Mo Mac Rev Bonds</b>
131	8/25/2000	Payment of \$146,644.23 from Paine Webber Account no. HS <b>E2608 to purchase 140,000 units of Utah St Brd Rgnts/R Crss Rev Bonds</b>
132	8/25/2000	Payment of \$160,973.55 from Paine Webber Account no. HS <b>E2608 to purchase 155,000 units of Childress Tex Ctfs Oblig Bonds</b>
133	8/25/2000	Payment of \$197,031.39 from Paine Webber Account no. HS <b>E2608 to purchase 200,000 units of Allen Tex Indpt Sch Dist Bonds</b>
134	8/25/2000	Payment of \$216,271.83 from Paine Webber Account no. HS <b>E2608 to purchase 200,000 units of Decatur Ill Fgic Bonds</b>
135	8/25/2000	Payment of \$231,644.70 from Paine Webber Account no. HS <b>E2608 to purchase 220,000 units of Westmoreland Cnty Pa Rev Bonds</b>
136	8/25/2000	Payment of \$254,735.36 from Paine Webber Account no. HS <b>E2608 to purchase 245,000 units of Tarrant Cnty Tx Hlth Fac Dev Corp Bonds</b>
137	8/25/2000	Payment of \$258,130.75 from Paine Webber Account no. HS <b>E2608 to purchase 250,000 units of Colorado Hlth Fac Bonds</b>
138	8/28/2000	Transfer of \$15,677.30 by check number 111, payable to American Express, from Paine Webber Account no. HS E2608
139	8/30/2000	Payment of \$101,973.28 from Paine Webber Account no. HS <b>E2608 to purchase 100,000 units of Harlandale ISD Texas Ref Sch Bldg Bonds</b>
140	8/30/2000	Payment of \$256,907.94 from Paine Webber Account no. HS <b>E2608 to purchase 235,000 units of Harlandale ISD Texas Ref Sch Bldg Bonds</b>
141	8/31/2000	Payment of \$199,850.33 from Paine Webber Account no. HS <b>E2608 to purchase 200,000 units of Johnson City Usd Ka G.O. Bldg Bonds</b>
142	9/5/2000	Transfer of \$50,000 by check number 112, payable to FSY Consultants, from Paine Webber Account no. HS E2608
143	9/5/2000	Transfer of \$68,041.11 by check number 113, payable to Provident Bank, from Paine Webber Account no. HS E2608
144	9/6/2000	Payment of \$207,022.33 from Paine Webber Account no. HS

		E2608 to purchase 200,000 units of Oconto Falls Wis Pub Sch Dist Bonds
145	9/6/2000	Transfer of \$19,267.45 by check number 115, payable to American Express, from Paine Webber Account no. HS E2608
146	9/12/2000	Transfer of \$210,000 by federal funds wire from Paine Webber Account no. HS E2608 to Gees Garrett
147	9/13/2000	Payment of \$1,500,000.00 from Paine Webber Account no. HS E2608 to purchase 60 shares of Blackrock Inv Quality Muni Trust
148	9/19/2000	Payment of \$161,705.30 from Paine Webber Account no. HM E0123 to purchase 160,000 units of Collin Cnty Tx Utd Tax bonds
149	10/5/2000	Payment of \$230,219.59 from Paine Webber Account no. HM E0123 to purchase 225,000 units of US Treasury Notes
150	10/5/2000	Payment of \$228,263.23 from Paine Webber Account no. HM E0123 to purchase 225,000 units of US Treasury Notes
151	10/5/2000	Payment of \$100,863.89 from Paine Webber Account no. HM E0123 to purchase 100,000 units of US Treasury Notes
152	10/5/2000	Payment of \$103,393.34 from Paine Webber Account no. HM E0123 to purchase 100,000 units of US Treasury Notes
153	10/5/2000	Payment of \$225,600.25 from Paine Webber Account no. HM E0123 to purchase 225,000 units of US Treasury Notes
154	10/5/2000	Payment of \$100,592.38 from Paine Webber Account no. HM E0123 to purchase 100,000 units of US Treasury Notes
155	10/5/2000	Payment of \$75,751.65 from Paine Webber Account no. HM E0123 to purchase 75,000 units of US Treasury Notes
156	10/5/2000	Payment of \$154,103.92 from Paine Webber Account no. HM E0123 to purchase 150,000 units of US Treasury Notes
157	10/12/2000	Payment of \$95,035.87 from Paine Webber Account no. HM E0123 to purchase \$95,000 certificate of deposit from IBJ Whitehall Bk & Trst
158	10/17/2000	Transfer of \$67,837.92 by check number 124, payable to Provident Bank, from Paine Webber Account no. HM E0123
159	10/19/2000	Transfer of \$232,605.25 by federal funds wire from Paine Webber Account no. HM E0123 to Garrett Aviation Services
160	10/25/2000	Payment of \$96,837.72 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Aldine Tcx Isd bonds
161	10/25/2000	Payment of \$99,718.25 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Chattanooga Tn Elect Sys Rev bonds
162	10/25/2000	Payment of \$99,543.64 from Paine Webber Account no. HM



		E0123 to purchase 100,000 units of Harris Cnty Tex Rfdg Toll Rev bonds
163	10/25/2000	Payment of \$103,231.00 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Lake Co IL Cons S/D # 50 bonds
164	10/25/2000	Payment of \$97,652.50 from Paine Webber Account no. HM E0123 to purchase 100,000 units of St Louis Mo Cop Cap Impt bonds
165	10/25/2000	Payment of \$102,947.00 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Socorro Tex Indpt Sch bonds
166	10/25/2000	Payment of \$94,952.50 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Travis Cnty Tex bonds
167	10/26/2000	Payment of \$107,819.97 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Allen Cnty Ind Jail Bldg Corp Rev bonds
168	10/27/2000	Payment of \$94,515.50 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Travis Cnty Tex bonds
169	11/2/2000	Transfer of \$150,000 by federal funds wire from Paine Webber Account no. HM E0123 to Merrill Lynch account no. 230-6351
170	11/6/2000	Payment of \$178,054.50 from Paine Webber Account no. HM E0123 to purchase 30,000 units of Enron Corp call options
171	11/7/2000	Transfer of \$536,575.18 by federal funds wire from Paine Webber Account no. HM E0123 to Chase Manhattan Mortgage
172	11/7/2000	Payment of \$95,096.67 from Paine Webber Account no. HM E0123 to purchase \$95,000 certificate of deposit from BSB Bank & Trust
173	11/13/2000	Transfer of \$150,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80178-0100
174	11/13/2000	Transfer of \$700,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80179-8100
175	11/13/2000	Transfer of \$500,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80180-1100
176	11/13/2000	Transfer of \$500,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80181-0100
177	11/13/2000	Transfer of \$150,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80182-8100
178	11/14/2000	Payment of \$100,410.83 from Paine Webber Account no. HM E0123 to purchase 100,000 units of McKinney Texas Wtrwks & Rev bonds

179	11/27/2000	Transfer of \$200,000 by federal funds wire from Paine Webber Account no. HM E0123 ES to Merrill Lynch account no. 230-63517
180	12/5/2000	Transfer of \$100,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80178-0100
181	12/5/2000	Transfer of \$100,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80179-8100
182	12/5/2000	Transfer of \$100,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80180-1100
183	12/5/2000	Transfer of \$100,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80181-0100
184	12/5/2000	Transfer of \$100,000 from Paine Webber account no. HM E0123 to Paine Webber account no. HM 80182-8100
185	12/7/2000	Transfer of \$10,739.29, as part of larger transfer of \$11,740.12, by check number 153, payable to American Express, from Paine Webber Account no. HM E0123
186	12/18/2000	Payment of \$95,204.58 from Paine Webber Account no. HM E0123 to purchase \$95,000 certificate of deposit from Peoples Heritage Bank
187	12/15/2000	Transfer of \$14,850.88 by check number 154, payable to University of Notre Dame, from Paine Webber Account no. HM E0123
188	12/29/2001	Transfer of \$150,000 by check number 156, payable to FYI Realty, from Paine Webber Account no. HM E0123
189	12/29/2001	Transfer of \$350,000 by check number 157, payable to FSY Consultants, from Paine Webber Account no. HM E0123
190	12/30/2001	Transfer of \$17,321.37 by check number 159, payable to Haverford College, from Paine Webber Account no. HM E0123
191	1/11/2001	Transfer of \$33,671.91 by check number 161, payable to American Express, from Paine Webber Account no. HM E0123
192	1/14/2001	Transfer of \$11,347.50 by check number 163, payable to La Bandera Ranch, from Paine Webber Account no. HM E0123
193	04/23/2001	Payment of \$244,198.17 from Paine Webber Account no. HM E0123 to purchase 255,000 units of Allen Tex Indpt Sch Dist bonds

194	04/23/2001	Payment of \$99,816.06 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Decatur Tx Isd Ult Sch Bldg bonds
195	04/23/2001	Payment of \$100,100.67 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Barton Cnty Kans USD bonds
196	04/23/2001	Payment of \$99,613.22 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Arapahoe Libr Dist Colo C.O.P. Rev bonds
197	04/23/2001	Payment of \$99316.06 from Paine Webber Account no. HM E0123 to purchase 100,000 units of Hurst-Euless Bedford Tex bonds
198	04/23/2001	Payment of \$110,007.92 from Paine Webber Account no. HM E0123 to purchase 110,000 units of Mansfield Texas Ww/Ss Rv bonds
199	04/23/2001	Payment of \$119,692.69 from Paine Webber Account no. HM E0123 to purchase 125,000 units of Maricopa Cnty Ariz Sch bonds
200	05/02/2001	Payment of \$129,341.68 from Paine Webber Account no. HM E0123 to purchase 110,000 units of Pflugerville Tex Cap Gty bonds
201	05/03/2001	Payment of \$98,885.78 from Paine Webber Account no. HM E0123 to purchase 100,000 units of West Ouachita Par S/D La Rev bonds
202	05/03/2001	Payment of \$98,804.00 from Paine Webber Account no. HM E0123 to purchase 100,000 units of West Ouachita Par S/D La Rev bonds
203	05/15/2001	Payment of \$105,274.72 from Paine Webber Account no. HM E0123 to purchase 100,000 units of New Braunfels Texas Isd Unltd bonds
204	5/15/2001	Transfer of \$200,000 by check number 177, payable to FYI Net, from Paine Webber Account no. HM E0123
205	6/4/2001	Transfer of \$75,000 by electronic funds transfer from Paine Webber Account no. HM E0123 to Bank of America
206	6/4/2001	Transfer of \$10,000 by electronic funds transfer from Paine Webber Account no. HM E0123 to Compass Bank
207	6/6/2001	Transfer of \$55,701.89 by automatic payment to Provident Bank from Paine Webber Account no. HM E0123
208	6/19/2001	Transfer of \$50,000 by check number 179, payable to US Treasury, from Paine Webber Account no. HM E0123

209	9/18/2001	Transfer of \$924,458.53, as part of a larger transfer of \$3,405,739.03, from Paine Webber Account no. HM E0123 to First Union Account no. 8845-9357
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(Title 18, United States Code, Sections 1957, 2 and 3551 et seq.)

**COUNTS TWO HUNDRED TEN THROUGH TWO HUNDRED FIFTEEN**  
(Money Laundering: REX SHELBY)

63. The allegations in paragraphs 1 through 33, 40 and 56 are realleged as if fully set forth here.

64. On or about the dates listed in the chart below, within the Southern District of Texas and elsewhere, the defendant REX SHELBY did knowingly engage and attempt to engage, and did aid, abet, counsel, command, induce, procure and cause others to engage and attempt to engage in the following monetary transactions by, through or to a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, to wit, the following transfers of funds generated through wire fraud and fraud in the sale of securities, which funds were derived from a specified unlawful activity, that is, wire fraud in violation of Title 18, United State Code, Section 1343, and fraud in the sale of securities in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5.

Count	Date	Transaction
210	2/16/2001	Transfer of \$5,409,816, as part of a larger transfer of \$5,454,737.19, from Paine Webber account no. HM E0299 to Paine Webber account no. HM E0109
211	4/2/2002	Transfer of \$800,000 by check no.107 from Paine Webber account no. HM E0109 to Fidelity Cash Reserves account no. 2BX-812021

212	4/2/2002	Transfer of \$400,000 by check no. 108 from Paine Webber account no. HM E0109 to Fidelity Municipal Money Market account no. 2BX-812021
213	4/6/2002	Transfer of \$1,200,000 by check no. 109 from Paine Webber account no. HM E0109 to Vanguard Prime Money Market Fund account no. 9956144176 (\$800,000) and to Vanguard Federal Money Market Fund account no. 9956144176 (\$400,000)
214	4/6/2002	Transfer of \$1,600,000 by check no. 110 from Paine Webber account no. HM E0109 to Dreyfus Money Market Reserves account no. 317-0001465913 (\$800,000) and to Dreyfus Worldwide Dollar Money Market Fund account no. 762-0214600876 (\$800,000)
215	4/7/2002	Transfer of \$1,200,000 by check no. 111 from Paine Webber account no. HM E0109 to T. Rowe Price Summit Cash Reserves Fund account no. 522676398-0 (\$800,000) and to T. Rowe Price Short Term Bond Fund account no. 522676402-8 (\$400,000)

(Title 18, United States Code, Sections 1957, 2 and 3551 et seq.)

**COUNT TWO HUNDRED SIXTEEN**

(Money Laundering: KEVIN HANNON)

65. The allegations in paragraphs 1 through 33 and 52 are realleged as if fully set forth here.

66. On or about the dates listed in the chart below, within the Southern District of Texas and elsewhere, the defendant KEVIN HANNON did knowingly engage and attempt to engage, and did aid, abet, counsel, command, induce, procure and cause others to engage and attempt to engage in the following monetary transactions by, through or to a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, to wit, the following transfer of funds generated through fraud in the sale of securities, which funds were derived from a specified unlawful activity, that is, fraud in the sale of securities in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal

Regulations, Section 240.10b-5.

Count	Date	Transaction
216	4/12/2001	Transfer of \$3,925,022.59, as part of a larger transfer of \$4,090,448.58, from Paine Webber account no. 00728 to Charles Schwab account no. 4081-3743

(Title 18, United States Code, Sections 1957, 2 and 3551 et seq.)

**COUNT TWO HUNDRED SEVENTEEN**  
(False Statements: KEVIN HOWARD)

67. The allegations of paragraphs 1 through 33, 42 and 44 are realleged as if fully set forth here.

68. On or about September 12, 2002, within the Southern District of Texas, the defendant KEVIN HOWARD did knowingly and wilfully make materially false, fictitious and fraudulent statements and representations in a matter within the jurisdiction of the executive branch of the United States, to wit: the Federal Bureau of Investigation, in that the defendant KEVIN HOWARD stated that the equity stakes of CIBC and nCube, relating to Project Braveheart, were at risk; that there were no oral promises, side agreements, understandings, options, guarantees or commitments of any sort made to nCube about its equity investment; that he himself never made any guarantees or promises to nCube that it would be bought out; and that he was not aware of any proposals that EBS would buy back nCube's equity at a pre-determined price.

(Title 18, United States Code, Sections 1001 and 3551 et seq.)

**COUNT TWO HUNDRED EIGHTEEN**  
**(False Statements: MICHAEL KRAUTZ)**

69. The allegations of paragraphs 1 through 33, 36, 42 and 44 are realleged as if fully set forth here.

70. On or about August 8, 2002, within the Southern District of Texas, the defendant MICHAEL KRAUTZ did knowingly and wilfully make materially false, fictitious and fraudulent statements and representations in a matter within the jurisdiction of the executive branch of the United States, to wit: the Federal Bureau of Investigation, in that the defendant MICHAEL KRAUTZ stated that no one ever stated or suggested to him prior to September 2001 that the nCube equity, relating to Project Braveheart, was not at risk; and that if the nCube equity was not at risk, then he had been misled.

(Title 18, United States Code, Sections 1001 and 3551 et seq.)

**FORFEITURE ALLEGATIONS**

71. Upon conviction of one or more of the wire fraud or fraud in the sale of securities offenses alleged in this Indictment, defendants HANNON, HIRKO, RICE, SHELBY AND YEAGER each shall forfeit to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) any property constituting or derived from proceeds obtained directly or indirectly as a result of the said violations, including but not limited to the properties listed in paragraph 73 below.

72. Upon conviction of one or more of the money laundering offenses alleged in this Indictment, each defendant shall forfeit to the United States pursuant to 18 U.S.C. § 982(a)(1) the following property:

- a. all right, title, and interest in any and all property involved in each offense in violation of 18 U.S.C. § 1957 for which the defendant is convicted, and all property traceable to such property, including the following: (1) all money or other property that was the subject of each transaction, transportation, transmission, or transfer in violation of Section 1957, including but not limited to the properties listed in paragraph 73 below; (2) all commissions, fees and other property constituting proceeds obtained as a result of those violations; and (3) all property used in any manner or part to commit or to facilitate the commission of those violations.
- b. A sum of money equal to the total amount of money involved in each offense, or conspiracy to commit such offense, for which the defendant is convicted. If more than one defendant is convicted of an offense, the defendants so convicted are jointly and severally liable for the amount involved in such offense.

73. The United States intends to forfeit property of the defendants including, but not limited to, the following:

- a. With respect to defendant KENNETH RICE, the following property:
  - (i) Manulife annuity contract 2101902, in the name of Kenneth Rice;
  - (ii) real property known as 7207 Last Dollar, located in Telluride, Colorado, titled in the name of Summit Canyon, LLC;
  - (iii) a platinum, sapphire and diamond necklace, with 16 diamonds (total weight approximately 3.38 carats) and 226 sapphires (total weight approximately 15.05 carats) and a platinum, sapphire and diamond bracelet with approximately 6.65 carats of sapphires and



approximately 1.68 carats of diamonds, purchased from Borsheim's Jewelry on June 15, 2000;

- (iv) one 1995 Ferrari F355 Challenge, VIN no. ZFFPR41A2S0104478, registered to Ken Rice;
- (v) one 2000 BMW X5, VIN no. WBAFB3348YLH02260, registered to Kenneth Rice;
- (vi) one 2001 Ferrari 360 Challenge, VIN no. ZFFYR51800123311, registered to Ken Rice;
- (vii) one 1999 Shelby, VIN no. 5CXSA1810XL000027, registered to Kenneth Rice; and
- (viii) one 2001 Jeep Wrangler, VIN no. 1J4FA49S91P347560, registered to Kenneth D. Rice.

b. With respect to defendant SCOTT YEAGER, the following property:

- (i) \$4,349,174.41 in First Union Account no. 8845-9357, in the name of F. Scott Yeager and Susan S. Yeager;
- (ii) all funds held in the name "Andrew J. Clark III, Attorney at Law FBO F. Scott Yeager Legal Fund" in Wachovia account no. 3429-2303;
- (iii) the contents of Wachovia account no. 3429-2301, in the name of F. Scott Yeager and Susan S. Yeager; and
- (iv) the contents of Wachovia account no. 3429-2307, in the name of F. Scott Yeager and Susan S. Yeager.

c. With respect to defendant REX SHELBY, the following property:

- (i) \$811,107.09 in Fidelity Cash Reserve account no. 2BX-812021-055, in the name of Rex T. Shelby;
- (ii) \$404,259.77 in Fidelity Municipal Money Market account no. 2BX-812021-010, in the name of Rex T. Shelby;
- (iii) the contents of Vanguard Prime Money Market account no. 09956144176-0030, in the name of Rex T. Shelby;

- (iv) the contents of Vanguard Federal Money Market account no. 09956144176-0033, in the name of Rex T. Shelby;
- (v) the contents of Dreyfus Money Market Reserve account no. 317-0001465913, in the name of Rex T. Shelby;
- (vi) the contents of Dreyfus Worldwide Dollar Money Market Fund account no. 762-0214600876, in the name of Rex T. Shelby;
- (vii) the contents of T. Rowe Price Summit Cash Reserve account no. 522676398-0, in the name of Rex T. Shelby;
- (viii) the contents of T. Rowe Price Short Term Bond account no. 522676402-8, in the name of Rex T. Shelby; and
- (ix) \$4,177,791.32 in Paine Webber account no. HM E0109, in the name of Rex T. Shelby.

d. With respect to defendant KEVIN HANNON, the following property:

- (i) all shares of Federated Short Term Municipal Trust Fund held in Charles Schwab account no. 3066-5660, in the name of Christine M. Hannon;
- (ii) all shares of Strong Municipal Ultra Short Fund held in Charles Schwab account no. 3066-5660, in the name of Christine M. Hannon;
- (iii) all shares of Strong Short Term Municipal Fund held in Charles Schwab account no. 3066-5660, in the name of Christine M. Hannon; and
- (iv) all shares of Charles Schwab Cash and Sweep Money Market Fund held in Charles Schwab account no. 3066-5660, in the name of Christine M. Hannon.

74. Pursuant to 21 U.S.C. § 853(p), as incorporated by Title 18, United States Code, Section 982(b), each defendant shall forfeit substitute property, up to the value of the amount described in paragraphs 1 and 2, if, by any act or omission of said defendant,

- a. cannot be located upon the exercise of due diligence;

- b. has been transferred, sold to or deposited with a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty.

All in accordance with 18 U.S.C. § 982(a)(1), and Rule 32.2(a), Federal Rules of Criminal Procedure.

(Title 18, United States Code, Sections 981 and 982; Title 28 United States Code, Section 2461.)

Dated: Houston, Texas  
April 29, 2003

A TRUE BILL

  
FOREPERSON

JOSHUA R. HOCHBERG  
Acting United States Attorney, Southern District of Texas

LESLIE R. CALDWELL  
Director, Enron Task Force

By:

  
JOHN R. KROGER  
Trial Attorney, Enron Task Force

  
BENTON J. CAMPBELL  
Special AUSA, Enron Task Force

  
LAUREL LOOMIS  
Trial Attorney, Enron Task Force

  
JAMES MEADE  
Trial Attorney, Enron Task Force

The Exhibit(s) May  
Be Viewed in the  
Office of the Clerk